

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of CHEVRON PIPE LINE
COMPANY (PLC-13) for Authorization
Pursuant to Public Utilities Code Section 851
to Transfer Pipeline Facilities to Chevron
Products Company, a division of Chevron
U.S.A. Inc.

Application 13-07-020
(Filed July 29, 2013)

**DECISION APPROVING APPLICATION OF CHEVRON PIPE LINE COMPANY
TO TRANSFER ASSETS AND CANCEL TARIFF 32 PURSUANT TO
PUBLIC UTILITIES CODE SECTION 851****Summary**

We approve the unopposed application of Chevron Pipe Line Company, LLC, to transfer the pipeline facilities identified as the South Livermore-Fremont Pipeline segment to its affiliate, Chevron Products Company, a division of Chevron U.S.A., and to cancel Tariff 32, the intrastate tariff associated with the South Livermore-Fremont Pipeline. This decision closes this proceeding.

1. Background

The South Livermore-Fremont Pipeline (SLF Pipeline) is an approximately 15-mile segment of a refined petroleum products pipeline that connects the eastern and western sections of the Bay Area Pipeline System (BAPL System). Chevron Products Company (Chevron Products) owns the BAPL System as a proprietary pipeline system for the purpose of transporting refined petroleum products between a refinery in Richmond, California, owned by Chevron Products (Chevron Refinery) and a terminal in San Jose, California, also owned

by Chevron Products (Chevron Terminal). Currently, with the exception of the SLF Pipeline segment, Chevron Products owns the entirety of the BAPL System. There are no other points of origin or destination physically connected to the BAPL System.

Chevron Pipe Line acquired the SLF Pipeline in 1995, and established its initial tariff for the SLF Pipeline, Tariff 23, in July, 1995. Chevron Pipeline has offered Commission-jurisdictional service on the SLF Pipeline since that time and currently offers such service pursuant to Tariff 32, effective September 1, 2002. In the 18 years Chevron Pipe Line has offered public utility, common carrier service on the SLF Pipeline, no shipper other than Chevron Products has nominated volumes under the applicable tariff or otherwise requested or obtained service on the SLF Pipeline.

Chevron Pipe Line contends that this unopposed transfer of assets and cancellation of Tariff 32 are in the public interest because:

- Chevron Products is and has been the only entity to request or receive jurisdictional service on the SLF Pipeline in 18 years;
- The SLF Pipeline is physically part of a larger proprietary pipeline owned by Chevron Pipe Line and has no receipt or delivery points other than those with the BAPL System;
- The SLF Pipeline is not necessary or useful for Chevron Pipe Line to fulfill its public utility obligations under existing tariffs for its other oil pipelines;
- Chevron Products, the only customer of the SLF Pipeline, supports the proposed transaction and the corresponding removal of the SLF Pipeline from public utility service;
- Granting this application will enable Chevron Pipe Line to reduce administrative costs relating to the accounting for assets providing public utility services, and reduce the burden on the Commission of regulating a service that

Chevron Pipe Line provides to its one and only shipper on the SLF Pipeline; and

- Under common ownership by Chevron Products, the SLF Pipeline and BAPL System will continue to comply with all applicable safety and environmental regulations and remain regulated by this Commission.

Section 851¹ provides, in relevant part “A public utility ... shall not sell, lease, assign, mortgage, or otherwise dispose of, or encumber the whole or any property necessary or useful in the performance of its duties to the public” ... valued in excess of \$5,000,000 without the prior approval of the Commission. The original cost of the SLF Pipeline was \$26,459,881.93. As of October 31, 2013, its depreciated book value is projected to be \$19,704,918 and as of December, 31, 2013 it is projected to be \$19,515,501. The transfer proposed here will be at book value, and Chevron Pipe Line will realize no gain on the sale.

1.1. Jurisdiction

Section 701 provides in relevant part “The Commission may supervise and regulate every public utility in the State and may do all things ... which are necessary and convenient in the exercise of such power and jurisdiction.”

1.2. California Environmental Quality Act (CEQA)

The California Environmental Quality Act (CEQA) “requires the Commission to consider the environmental consequences of its discretionary decisions, such as Section 851 approvals.”²

¹ All statutory references are to the Public Utilities Code, unless otherwise indicated.

² D.04-07-021 at 11.

A project is exempt from CEQA review “[w]here it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment”³

“...The transfer of title, by itself, does not change the physical circumstances of the pipeline. Therefore, it can be seen with certainty that there is no possibility that the project may have a significant effect on the environment.”⁴

2. Issues Before the Commission

The issues before the Commission are whether the transfer of title of the SLF Pipeline from Chevron Pipeline to Chevron Products, and the cancellation of Tariff 32, are adverse to the public interest.

3. Discussion and Analysis

Chevron Pipeline and Chevron Products are both subsidiaries of Chevron, U.S.A. In the 18 years Chevron Pipeline has owned and operated the SLF Pipeline, no customer other than Chevron Products has requested or used the SLF Pipeline. No protests were filed to Chevron Pipeline’s application. It is not a utility asset that is necessary or useful in the performance of Chevron Pipeline’s public utility obligations to third parties.

Further, the transfer of this asset and the cancellation of Tariff 32 will reduce reporting requirements for Chevron Pipeline and regulatory obligations of the Commission, resulting in cost savings and efficiency for the parties

³ CEQA Guideline 15061(b)(3).

⁴ D.08-07-011 at 4.

involved and the Commission, with no harm to the utility market served by Chevron Pipeline.

4. Safety Considerations

This application involves only the transfer of title to a pipeline facility and the cancellation of a tariff. As the pipeline will be used by the same parties and in the same manner before and after the transfer, the application poses no new safety considerations.

5. Conclusion

The transfer of title of the SLF Pipeline from Chevron Pipeline to Chevron Products, and the cancellation of Tariff 32, are not adverse to the public interest and should be approved by the Commission.

6. Categorization and Need for Hearing

In Resolution ALJ 176-3319, adopted August 15, 2013, this application was preliminarily categorized as ratesetting, and it was preliminarily determined that hearings would be required. The application was unopposed, and all of the necessary information for the Commission to make an informed decision on this matter was included in the application. We confirm the preliminary categorization but determine that hearings are not necessary in conjunction with this unopposed application.

7. Waiver of Comment Period

No protests were filed to the Application and no hearing was held. Today's decision grants the relief requested in an uncontested matter.

Accordingly, pursuant to Rule 14.6(c)(2),⁵ the otherwise applicable 30-day period for public review and comment is waived.

8. Assignment of Proceeding

Michael R. Peevey is the assigned Commissioner and Dan H. Burcham is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. The South Livermore-Fremont pipeline is no longer necessary and useful for the purpose of Chevron Pipe Line Company's obligations as a public utility.

2. The South Livermore-Fremont pipeline has been used solely by the Chevron Products Company for the past 18 years.

3. No public utility other than Chevron Products Company has requested to use the South Livermore-Fremont pipeline in the past 18 years.

4. The transfer of the South Livermore-Fremont pipeline from Chevron Pipe Line Company to Chevron Products Company will reduce administrative and regulatory burdens on the applicant and the Commission.

5. The transfer of the South Livermore-Fremont pipeline from Chevron Pipe Line Company to Chevron Products Company is not adverse to the public interest.

6. Tariff 32, which is applicable to the South Livermore-Fremont pipeline, is no longer necessary.

7. This application pertains only to the transfer of title to a pipeline and the cancellation of a tariff. There are no new safety considerations.

⁵ All references to Rule or Rules refer to the Commission's Rules of Practice and Procedure, unless otherwise indicated.

Conclusions of Law

1. Chevron Pipe Line Company and Chevron Products Company are both public utilities subject to regulation by this Commission.
2. A transfer of assets valued in excess of \$5,000,000 may only be done when the Commission finds the asset is no longer useful and necessary to fulfill a company's public utility obligations, and this Commission approves the transfer pursuant to Pub. Util. Code § 851.
3. Chevron Pipe Line Company has satisfied all of the requirements for transfer of the South Livermore-Fremont pipeline to Chevron Products Company.
4. Hearings are not necessary.
5. Proceeding should be closed.
6. The application should be approved.

O R D E R

IT IS ORDERED that:

1. The Application of Chevron Pipe Line Company for authorization to transfer the South Livermore-Fremont pipeline segment to Chevron Products Company, a division of Chevron U.S.A. Inc., is approved.
2. Tariff 32 associated with the South Livermore-Fremont pipeline is cancelled.
3. Hearings are not necessary.
4. Application 13-07-020 is closed.

This order is effective today.

Dated _____, at San Francisco, California.